The Manitoba
Water Services Board

La Commission des services
d'approvisionnement en eau du Manitoba

Annual Report 2003-2004

Rapport annuel 2003-2004

Manitoba

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MINISTER OF WATER STEWARDSHIP

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

August 27, 2004

The Honourable John Harvard
Lieutenant Governor of Manitoba
Government House
200 Kennedy Street
Winnipeg MB R3C 1S4

Your Honour:

It is my pleasure to present to you The Manitoba Water Services Board Annual Report for the period extending from April 1, 2003 to March 31, 2004. This report records the activities of the Board for that period.

Yours sincerely,

Steve Ashton
Minister of Water Stewardship

105-00064/

Manitoba

Water Stewardship

The Manitoba Water
Services Board

P.O. Box 22080
2022 Currie Boulevard
Brandon MB R7A 6Y9
CANADA

(204) 726-6076
Fax (204) 726-6290

August 27, 2004

Honourable Steve Ashton
Minister of Water Stewardship
Room 314, Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

I have the honour of presenting to you the 32nd Annual Report of The Manitoba Water Services Board for the fiscal year ending March 31, 2004, together with the financial statements for the same period.

Yours sincerely,

Norm Brandson
Chairman

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The Manitoba Water Services Board

Box 22080, Brandon MB R7A 6Y9
Phone: 204-726-6076 Fax: 204-726-6290

BOARD:

Norm Brandson[1] (Chairman)
Deputy Minister
Water Stewardship

Albert Delichte[2]
Ethelbert, Manitoba

Greg McCullough
Winnipeg, Manitoba

Wayne Motheral
Morden, Manitoba

Vacant[3]

MANAGEMENT:

R. (Dick) Menon, P.Eng. (General Manager)
Phone: 204-726-6073
Email: dmenon@gov.mb.ca

Dave Shwaluk, P.Eng. (Engineering)
Phone: 204-726-6084
Email: dshwaluk@gov.mb.ca

Ray Foreman, P.Eng. (Operations)
Phone: 204-726-6083
Email: rforeman@gov.mb.ca

Bill Kenning (Contracts)
Phone: 204-726-6096
Email: bkenning@gov.mb.ca

Cheryl Brigden (Accounts)
Phone: 204-726-6093
Email: cbrigden@gov.mb.ca

1 Replaced Marie Elliott November 2004.

2 Replaced Barry Wittevrongel in October 2003.

3 Claudia Boyce resigned in November 2003.

The Manitoba Water Services Board

Foreword

The Manitoba Water Services Board (Board) was established in July 1972 as a Crown Corporation, under *The Manitoba Water Services Board Act*, to assist in the provision of water and sewerage facilities for the residents of rural Manitoba. The Board replaced The Manitoba Water Supply Board (1959-1972), taking over all responsibilities of the former Board, owning and operating 38 water supply installations in the Province.

In August 1981, the head office of The Manitoba Water Services Board, formerly in Winnipeg, was transferred to Brandon, Manitoba. The Board's primary mandate is the delivery of a Sewer and Water Program, which provides for the installation or upgrading of sewer and water facilities in Manitoba communities.

In 1984, the Board assumed the responsibility of delivering a Water Development Program, which provides for the construction of agricultural area pipelines and farm water sources, with the primary objective being to provide a dependable, sustainable water supply in rural Manitoba. The Board has also been involved in a number of partnership agreements with the Government of Canada, the most recent one being the Partnership Agreement on Municipal Water Infrastructure (PAMWI).

In 1994, the Board assumed responsibility for managing the Conservation Districts Program which, through partnerships with participating municipalities, provides sustainable soil and water management programs in 16 Districts covering over 70% of Agro Manitoba.

The Board, made up of four citizen members chaired by the Deputy Minister of Manitoba Water Stewardship, reports to the Legislature through the Minister of Water Stewardship. The Board's activities are managed by a team headed by the General Manager.

The Board, under the authority of the Act, may enter into agreements with any organized area of the Province, including municipalities, local government districts, villages, towns and cities, excluding (a) the City of Winnipeg, (b) the areas under the jurisdiction of the Minister of Aboriginal and Northern Affairs, and (c) those areas of the Province under Federal Government jurisdiction.

La Commission des services d'approvisionnement en eau du Manitoba

Avant-propos

La Commission des services d'approvisionnement en eau du Manitoba est une société d'État créée en juillet 1972 en vertu de la *Loi sur la Commission des services d'approvisionnement en eau du Manitoba*. Sa raison d'être est de faciliter l'approvisionnement en eau et l'installation de systèmes de traitement des eaux usées au bénéfice des résidants des régions rurales du Manitoba. La Commission a succédé à la Manitoba Water Supply Board (1959-1972), héritant de toutes ses responsabilités ainsi que des 38 stations d'approvisionnement en eau qu'elle gère dans l'ensemble de la province.

En août 1981, le siège social de la Commission des services d'approvisionnement en eau du Manitoba a été transféré de Winnipeg à Brandon, au Manitoba. La mission principale de la Commission consiste à mettre en œuvre le Programme de service d'eau et d'égouts qui s'occupe de l'installation et de l'amélioration des systèmes d'eau et d'égouts dans les communautés du Manitoba.

En 1984, la Commission a pris en charge la mise en œuvre du Programme pour l'amélioration des services d'approvisionnement en eau. Ce programme se consacre à la construction de canalisations d'eau dans les régions agricole et à la construction d'infrastructures d'approvisionnement des fermes en eau. L'objectif principal est de fournir aux régions rurales du Manitoba un approvisionnement en eau fiable et renouvelable. La Commission a également conclu plusieurs ententes de partenariat avec le gouvernement canadien. La plus récente est l'Entente d'association sur les infrastructures hydrauliques municipales.

En 1994, la Commission a pris en charge la gestion du Programme des districts de conservation. En vertu des partenariats établis avec les municipalités participantes, des programmes de renouvellement des terres et de gestion de l'eau sont offerts dans 16 districts couvrant plus de 70 % de la surface agricole du Manitoba.

Quatre particuliers forment le Conseil d'administration de la Commission qui est présidé par le sous-ministre de la Gestion des ressources hydriques. La Commission rend compte à l'Assemblée législative par l'intermédiaire du ministre de la Gestion des ressources hydriques. Les activités de la Commission sont gérées par une équipe dirigée par le directeur général.

Once an application for assistance or a resolution is received, the Board prioritizes the project and subject to availability of funds and approvals, makes the necessary physical and technical investigations, an offer (Agreement) is submitted to the municipality for the construction of new works, extensions and/or improvements to existing works. After the municipality has received the necessary Municipal Board approvals, the Agreement is executed and the Board enters into the necessary contracts for Engineering services and construction of the works. Generally, the Board provides Project Management, including interim financing and tendering of all construction contracts, for the projects undertaken.

En vertu de la *Loi*, la Commission peut conclure des ententes avec toutes les administrations locales de la province, notamment les municipalités, les districts d'administration locale, les villages et les villes, à l'exception a) de la ville de Winnipeg, b) des régions relevant du ministre des Affaires autochtones et du Nord et c) des régions de la province relevant du gouvernement fédéral.

Dès qu'elle reçoit une demande d'aide ou une résolution, la Commission détermine la priorité du projet. Puis, sous réserve d'acceptation et de fonds disponibles, elle effectue les recherches physiques et techniques nécessaires. On présente alors à la municipalité une offre (entente) de construction des nouveaux ouvrages, ou d'extension ou d'amélioration des ouvrages existants. Dès que la municipalité obtient les approbations indispensables de son conseil municipal, l'entente est mise en œuvre et la Commission entame le processus nécessaire d'attribution des contrats de services d'ingénierie et de construction des ouvrages. En règle générale, la Commission assume la gestion du projet, y compris le financement provisoire et les appels d'offres pour tous les contrats de construction.

Objectives

The Manitoba Water Services Board has the following specific objectives:

a) To encourage municipalities to assume responsibility of ownership, operating and maintenance of water treatment plants constructed prior to 1972.

b) To assist municipalities with the construction of all plants and works necessary for obtaining, collecting, storing, treating, purifying and transmitting water.

c) To assist municipalities in the transmission of water from a source of supply or a point of storage to a point of acceptance by the individual.

d) To assist municipalities with the construction of works for the collection of sewage.

e) To assist municipalities with the construction of works for the treatment and disposal of sewage.

f) To assist agricultural communities with the upgrading of water supply/treatment facilities and/or sewage treatment systems.

g) To provide assistance to municipalities to establish Conservation Districts to carry out programs that support Provincial sustainable development and economic objectives in the areas of soil and water management, habitat enhancement and water quality.

Objectifs

Voici les objectifs précis de la Commission des services d'approvisionnement en eau du Manitoba :

a) encourager les municipalités à assumer leur responsabilité quant à la propriété, l'exploitation et l'entretien des stations de traitement d'eau construites avant 1972;

b) aider les municipalités à construire les stations et ouvrages nécessaires pour se procurer l'eau, la recueillir, l'entreposer, la traiter, la purifier et l'acheminer;

c) aider les municipalités à acheminer l'eau de sa source ou de son lieu d'entreposage jusqu'au point d'alimentation accepté par les particuliers;

d) aider les municipalités à construire les ouvrages nécessaires à la collecte des eaux usées;

(e) aider les municipalités à construire les ouvrages nécessaires au traitement et à l'évacuation des eaux usées;

(f) aider les communautés agricoles à améliorer les installations d'approvisionnement et de traitement des eaux naturelles, ainsi que les systèmes de traitement des eaux usées;

(g) aider les municipalités à mettre sur pied des districts de conservation pour mettre en œuvre les programmes qui appuient les objectifs de la province en matière d'économie et de développement durable, plus précisément en ce qui concerne la gestion du sol et de l'eau, la mise en valeur de l'habitat et la qualité de l'eau.

Capital Programs

To meet its objectives, the Board enters into agreements with Municipalities and/or Water Cooperatives, to provide technical and financial assistance to construct and/or upgrade water and/or sewerage infrastructure works. The primary objective is to ensure that a safe and sustainable water supply is available and that the wastewater is treated and disposed of in an environmentally sustainable manner.

Generally, the Board's total annual expenditure for water and sewerage, including Municipal and Federal contribution, is approximately $30.0M. Total expenditure under the Conservation Districts Program is $7.0M (Provincial share $3.975M).

Programmes 'immobilisations

Pour atteindre ses objectifs, la Commission conclut des ententes avec les municipalités ou les coopératives d'eau afin de fournir une aide technique et financière leur permettant de construire ou d'améliorer des infrastructures hydrauliques ou de traitement des eaux usées. L'objectif principal est de garantir un approvisionnement en eau sécuritaire et renouvelable, ainsi que le traitement et l'évacuation des eaux usées d'une façon renouvelable et respectueuse de l'environnement.

En général, les dépenses totales réalisées par la Commission en matière d'eau naturelle et d'eau usée sont d'environ 30 millions de dollars par an (ce qui inclut les contributions municipales et fédérales). Les dépenses totales pour le Programme des districts de conservation sont de 7 millions de dollars (incluant la contribution provinciale de 3,975 millions de dollars).

Activities Carried Out To Meet The Objectives

Water Treatment Plants

1.0 Previously Constructed Works

The Manitoba Water Services Board acquired 38 water treatment plants constructed under the authority of *The Manitoba Water Supply Board Act*.

To meet the objectives of the Board and at the request of the municipalities, the Board has transferred the following water treatment plants:

Hartney, Town	January 1, 1979
Altona, Gretna, Rhineland	March 31, 1987
Letellier, (Montcalm, R.M.)	March 31, 1987
Winkler, Town	January 1, 1989
Holland, (Victoria, R.M.)	December 1, 1991
Gilbert Plains, Town	April 1, 1992
Dominion City, (Franklin, R.M.)	July 1, 1993
St. Jean Baptiste, (Montcalm, R.M.)	December 31, 1993
Ste. Rose du Lac, Village	December 31, 1993
Ste. Agathe, (Ritchot, R.M.)	April 1, 1994
Hamiota, Town	January 1, 1998
Erickson, Town	January 1, 1998
Cartwright, Village	January 1, 1998
Deloraine, Town	April 1, 1998
St. Claude, Village	April 1, 1998
Kenton, (Woodworth, R.M.)	July 1, 1998
Angusville, (Silver Creek, R.M.)	January 1, 1999
Manitou, Town	April 1, 1999
Reston, (Pipestone, R.M.)	April 1, 1999
Russell, Town	April 1, 1999
Elie, (Cartier, R.M.)	June 1, 1999
Pilot Mound, Town	August 1, 1999
Benito, Village	April 1, 2000
Kelwood, (Rosedale, R.M.)	October 1, 2000
Rossburn, Town	November 1, 2000
McCreary, Village	April 1, 2002
Minitonas, Town	March 1, 2003
Bowsman, Village	March 31, 2003
Ethelbert, Village	March 31, 2003
Belmont, (Strathcona, R.M.)	April 1, 2003

The Manitoba Water Services Board Act requires the Board to fix water rates for plants constructed prior to 1972 to recover costs pertaining to the services supplied. The rates set by the Board and approved by the Province are in accordance with tables maintained by the Board, which indicate a return of full capital costs and operating deficits based on a 35 year operating life.

At the beginning and ending of the fiscal year the Board owned and operated nine water treatment plants.

Effective April 1, 2004 water rates remained unchanged at Winnipegosis. The water rate was increased at Baldur, Inglis, Notre Dame de Lourdes, Oak River, Sandy Lake, Somerset and Strathclair and by the Canadian Price Index of 2.7%.
As the Previously Constructed Water Plants did not receive a Provincial grant during construction and as an inducement to the Municipality to assume the ownership, including operating and maintenance of these plants, The Manitoba Water Services Board has offered to continue to operate the plants, until the deficits are fully recovered through water rates.

Water Treatment Plants (Previously Constructed Works)

Sale of Water Town or Municipality	Consumption 2003-04	Actual Cost of Production per 1,000 I.G.	April 1/04 Selling Price 1,000 I.G.	Type of Treatment
Argyle, (R.M.)(Baldur)	5,864,410	5.300	5.44	B,C,E,F
Blanshard, (R.M.)(Oak River)	4,042,900	8.460	8.86	C,E,GA,F
Harrison, (R.M.)(Sandy Lake)	6,725,649	5.000	5.14	C,E,GA,F
Notre Dame de Lourdes, Village	21,897,100	3.440	3.53	C,E,GA,F
Shellmouth-Boulton, (R.M.)(Inglis)	3,741,343	10.970	12.36	C,E,GA,F
Somerset, Village	11,616,200	3.180	3.27	B,C,E,F
Strathclair, (R.M.)(Strathclair)	6,361,650	8.000	8.22	C,E,GA,F
Winnipegosis, Village	9,986,146	7.920	8.29	B,E,GA,F

Type of Treatment:

B - Fluoridation

C - Iron and/or manganese removal

E - Chlorination

GA - Membrane, Nano

GB - Membrane, Reverse Osmosis

F - Filtration

2.0 Newly Constructed Works

Under *The Manitoba Water Services Board Act* the Board entered into seven cost sharing agreements with municipalities for the construction of water treatment plants and to operate the plants at full recovery of operating costs. As at April 1, 2003 the Board operated a plant at Elm Creek.

To meet the objectives of the Board and at the request of the municipalities, the Board has terminated the operating agreements for the following water treatment plants:

Rapid City, Town	October 1, 1997
Cranberry Portage, (Kelsey, R.M.)	January 1, 1998
Birch River, (Mountain, R.M.)	April 1, 1998
Grunthal, (Hanover, R.M.)	April 1, 1998
Miami, (Thompson, R.M.)	April 1, 1999
Swan Lake, (Lorne, R.M.)	April 1, 1999

Effective April 1, 2004 the water rate increased at the remaining plant operated by the Board from $5.94 to $6.10 per thousand Imperial gallons.

Sale of Water Town or Municipality	Consumption 2003-04	Actual Cost of Production per 1,000 I.G.	April 1/04 Selling Price 1,000 I.G.	Type of Treatment
Grey, (R.M.)(Elm Creek)	8,322,200	5.94	6.10	C,E,GB,F

Type of Treatment:

C - Iron and/or manganese removal

E - Chlorination

GB - Membrane, Reverse Osmosis

F - Filtration

3.0 Cartier Regional Water Supply System

In 1999, the Board entered into a Public Private Partnership (3P) agreement with CWP Limited Partnership of Winnipeg on behalf of the R.M.s of Cartier, Headingley, Portage la Prairie and St. Francois Xavier, to design, build and operate the Cartier Regional Water Supply System (CRWSS). The ownership of the system will be transferred to the Municipalities when all of the debts are paid.

The four municipalities have, in turn, formed a cooperative, Cartier Regional Water Co-op Inc. (Co-op), for the administration and the eventual ownership of the utility. The Board is represented on the Co-op Board, as an ex-officio member. The Board, at the request of the Co-op, has agreed to be the Project Manager, until the system debts are fully paid through user fees.

The wholesale water rates for 2003-04 were set by the Board at $6.25 per 1,000 Imperial gallons. The Board, with the concurrence of the Co-op, has increased the rates effective April 1, 2004 to $6.42, an increase of 2.7% which represents the Consumer Price Index (CPI) increase over the previous year.

Sewer and Water Program

1.0 Capital Construction

The Board enters into agreements with municipalities when requested and approved. Total project management, which includes entering into engineering consultant agreements, obtaining various approvals, entering into contracts and interim financing, are provided.

In 1997, the Manitoba Government revised the Grant Formula for The Manitoba Water Services Board as follows:

a) Projects where there are documented public health or environmental problems and/or have economic benefits to the Province and the municipality will receive a 50% Provincial grant.
b) Projects which are primarily of local improvement in nature will receive a 30% Provincial grant.

An additional grant to a maximum of 10% may be considered by the Board for accepted projects north of the 53rd parallel.

Under the Sewer and Water Program, the Board also undertakes a number of projects in partnership with the Federal Prairie Farm Rehabilitation Administration (PFRA), primarily in the area of rural water development. This includes the development, primarily, of community water sources and rural water pipelines. The costs are shared, generally on a one-third basis between the Board, PFRA and the local municipality.

Agreements between The Manitoba Water Services Board and a municipality generally include all aspects of the project development and implementation. The agreements also allow for a warranty period of one year after substantial completion of the construction works to ensure satisfactory performance of the infrastructure.

Water and sewer activities, including feasibility studies, design and construction, resulted in a total expenditure of $31.823M, of which $9.061M was contributed by the Province. Project management and interim financing were provided to 44 substantially completed, 58 ongoing and 53 new projects during the year.

Details of the Board's programs are available on the Web: www.gov.mb.ca/waterstewardship/mwsb/.

Sewer and Water Projects Substantially Completed during 2003-04 were:

Project	Work Description	Project Costs	Provincial Grants
Alexander (3), R.M. Ph. 1	Water and Sewer Infrastructure	$574,758	$277,894
Alexander (4), R.M.	Sewage Infrastructure Upgrade	109,364	54,682
Bowsman (3), Village	Water Treatment Plant Upgrade	110,986	55,493
Brenda (2), R.M.	Regional Water Source	6,251	2,084
Brokenhead, R.M.	Water and Sewer System Study	138,357	69,179
Cartwright (3), Village	Water Treatment Plant Upgrade	29,503	14,751
Cornwallis (2), R.M. (Sprucewoods)	Water and Sewer Study	30,711	15,355
Dufferin (4), R.M.	Water Supply Pipeline	1,355,055	451,685
Emerson (4), Town	Lift Station Upgrade	400,000	200,000
Emerson (5), Town	Lift Station Upgrade	90,980	45,490
Gilbert Plains (7), R.M.	Water Supply Pipelines	2,939,271	979,549
Gimli (7), R.M./Town	Wastewater Treatment Facility Design	143,025	71,512
Gladstone (4), Town	Water and Sewer Main Replacement	290,229	87,069
Grey (4), R.M.	Water Supply Pipelines and Reservoir	3,310,939	1,262,993
Grey (5), R.M.	Water Supply Pipelines	1,595,424	531,808
Hanover, R.M.	Water Supply System Study	14,809	7,405
Harrison (3), R.M. (Sandy Lake)	Water Treatment Plant Upgrade	305,233	152,616
Headingley (4), R.M.	Sewage Plant and Watermain Upgrade	1,618,986	594,676
Kelsey (3), R.M.	Water Supply Pipeline	1,491,475	230,492
Kelsey (4), R.M.	Water Supply Pipeline	573,937	191,281
Lac du Bonnet (6), Town	Water Treatment Plant Upgrade	2,551,057	1,075,528
Minitonas (9), Town	Water Treatment Plant Upgrade	66,741	33,370
Morris (10), R.M.	Water Supply Pipeline	1,041,122	347,041
Neepawa (9), Town	Water Distribution Analysis	105,528	52,764
Niverville, Town	Water System Development Study	15,000	7,500
Ochre River (3), R.M.	Lagoon Upgrade Completion	397,600	100,000
Portage la Prairie (20), City	Water Treatment Plant Upgrade	5,242,368	2,621,184
Portage la Prairie (23), R.M.	Sewage Works	282,079	141,039
Portage la Prairie (24), R.M.	Water Supply Pipelines	2,641,641	880,531
Portage la Prairie (25), R.M.	Functional Design Study for Southport	26,971	13,486
St. Claude (5), Village	Water Treatment Plant Upgrade	78,887	39,443
Selkirk (4), City	Watermain Renewals	1,325,129	397,539
Souris (14), Town	Water Treatment Plant Upgrade	2,224,500	1,112,250
Springfield, R.M.	Water and Sewer Study	38,691	19,346
Stanley (6), R.M.	Water Supply Pipelines	700,560	233,520
Stanley (7), R.M.	Reservoir and Water Supply Pipeline	1,545,280	440,000
Stanley (8), R.M.	Water Supply Pipelines	451,691	150,564
Stonewall (13), Town	Water System Analysis	32,550	16,275
Strathclair (5), R.M. (Strathclair)	Water Treatment Plant Upgrade	295,779	147,889
Swan River (6), R.M.	Municipal Water Supply Study	3,177	1,059

Project	Work Description	Project Costs	Provincial Grants
Sewer and Water Projects Substantially Completed during 2003-04 cont'd:			
Thompson (3), R.M.	Water Supply Pipeline	$442,772	$147,591
Thompson (4), R.M.	Water Supply Pipeline	2,200,241	732,962
Wallace (3), R.M.	Groundwater Investigation	51,231	17,077
Wallace (4), R.M.	Water Supply Source	20,557	6,852
	Total	$36,910,445	$14,030,824

Sewer and Water Projects Under Design and/or Construction during 2003-04 were:

Project	Work Description	Agreement Estimate	Estimated Grants
Binscarth (7), Village	Wastewater Stabilization Pond	$580,000	$109,000
Brokenhead (2), R.M. Ph. 1	Water Distribution and Sewage Collection	8,300,000	690,000
Brokenhead (3), R.M. Ph. 2	Water Supply and Wastewater Treatment	3,000,000	1,500,000
Carman (5), Town	Sludge Drying Beds	400,000	200,000
Cartier (13), R.M. (St. Eustache)	Sewer System Study	31,000	15,500
Dauphin (5), City	Lagoon Upgrade	2,510,000	750,000
De Salaberry, R.M. (St. Malo)	Water Treatment Plant Upgrade	25,000	12,500
Deloraine (6), Town	Water Treatment Plant Upgrade	300,000	150,000
Deloraine (7), Town	Water Treatment Plant Upgrade	100,000	50,000
Emerson (6), Town	Lift Station Upgrade and Associated Works	100,000	50,000
Erickson (8), Town	Wastewater Stabilization Pond	450,000	225,000
Flin Flon (7), City Ph. 1	Sewage Treatment Plant Upgrade	3,000,000	1,780,000
Flin Flon (8), City Ph. 2 and 3	Sewage Treatment Plant Upgrade	10,000,000	6,000,000
Gilbert Plains (8), R.M.	Water Supply Pipelines	1,000,000	, 333,333
Gimli (8), R.M.	Regional Wastewater Study	24,000	12,000
Grandview (9), Town	Water Treatment Plant Upgrade Study	26,000	13,000
Grey (6), R.M., Ph. 1 (Elm Creek)	Water Treatment Plant Upgrade	200,000	100,000
Grey (7), R.M.	Water Supply Pipelines	1,500,000	500,000
Hanover (2), R.M.	Water and Sewer Infrastructure Study	36,000	18,000
Hartney (2), Town	Water Treatment Plant Upgrade Study	22,000	11,000
Lorne (4), R.M.	Water Supply System	500,000	250,000
Lorne (5), R.M. (Swan Lake)	Wastewater Stabilization Pond Study	40,000	20,000
Lynn Lake (2), Town	Water Treatment Plant Upgrade	1,500,000	540,000
Macdonald (8), R.M.	Water and Sewer Infrastructure Improvements	600,000	300,000
Morris (11), R.M.	Water Supply Pipelines	200,000	66,666
Morris (12), R.M.	Water Supply Pipelines	1,400,000	466,666
Mountain, R.M. (Birch River)	Sewer System Feasibility Study	17,000	8,500
Neepawa (10), Town	Water Distribution Study	35,000	17,500
Neepawa (11), Town	Sewage Treatment Works	350,000	175,000
Niverville (2), Town	Lagoon Feasibility Study	35,000	17,500
North Cypress, R.M. (Brookdale)	Water and Sewer Feasibility Study	35,000	17,500
Ochre River (4), R.M.	Lagoon Upgrade Completion	100,000	50,000
Portage la Prairie (22), City	Water Treatment Plant Upgrade	11,000,000	3,400,000
Portage la Prairie (26), R.M. (Oakville)	Lagoon Feasibility Study	65,000	32,500
Portage la Prairie (27), R.M.	Sewage Treatment System	1,200,000	600,000
Portage la Prairie (28), R.M.	Water Supply Pipelines	1,500,000	500,000
Ritchot (5), R.M. Ph. 2	Water Supply Development Study	36,000	18,000
Rivers (3), Town	Water and Sewer System Upgrade	700,000	265,517

Project	Work Description	Agreement Estimate	Estimated Grants
Sewer and Water Projects Under Design and/or Construction during 2003-04 cont'd:			
Roblin (8), Town	Water Supply System Upgrade	$147,000	$73,500
Rosedale (5), R.M. (Kelwood)	Water Supply Upgrade	40,000	20,000
Rosser, R.M.	Rural Water Supply Study	12,000	4,000
Russell (6), Town	Water Supply Well	50,000	25,000
St. Andrews (2), R.M.	Septage Waste Study	14,000	7,000
St. Clements, R.M. (East Selkirk)	Water and Sewer Study	40,000	20,000
Selkirk (5), City	Sewer and Water Works Upgrade	1,300,000	450,200
Silver Creek (6), R.M. (Angusville)	Water Treatment Plant Upgrade Study	14,000	7,000
Snow Lake (5), Town	Water Supply Upgrade	1,500,000	900,000
Snow Lake (6), Town	Water Treatment Plant Upgrade	2,400,000	1,400,000
Souris (14), Town	Water Treatment Plant Upgrade	2,200,000	1,100,000
Souris (15), Town	Water Treatment Plant Upgrade	300,000	150,000
Springfield (2), R.M.	Regional Wastewater System	4,760,000	2,380,000
Strathclair (7), R.M. (Strathclair)	Sewage Lagoon Study	10,000	5,000
Strathcona, R.M. (Belmont)	Water Treatment Plant Upgrade	250,000	125,000
Stuartburn (3), R.M. (Vita)	Sewermain Replacement	150,000	75,000
Thompson (5), R.M.	Water Supply Pipelines	400,000	133,333
Wallace (5), R.M.	Environmental Impact Assessment	150,000	50,000
Westbourne (2), R.M.	Groundwater Investigation – Westlake	200,000	66,666
Whitehead (2), R.M. (Alexander)	Water Supply Development Study	20,000	10,000
	Total	$64,874,000	$26,266,381

Sewer and Water Construction Agreements Signed during 2003-04 were:

Project	Date Agreement Signed	Estimated Capital Cost of Project
Alexander (4), R.M.	October 15, 2003	$200,000
Brokenhead (2), R.M.	March 19, 2004	8,300,000
Brokenhead (3), R.M.	March 19, 2004	3,000,000
Cartier (13), R.M.	November 14, 2003	31,000
De Salaberry, R.M.	February 25, 2004	25,000
Deloraine (7), Town	February 25, 2004	100,000
Erickson (8), Town	December 5, 2003	450,000
Gilbert Plains (8), R.M.	March 8, 2004	1,000,000
Gimli (8), R.M.	September 30, 2003	24,000
Grandview (9), Town	September 9, 2003	26,000
Grey (5), R.M.	April 24, 2003	2,100,000
Grey (6), R.M., Ph. 1	February 25, 2004	200,000
Grey (7), R.M.	February 25, 2004	1,500,000
Hanover (2), R.M.	September 30, 2003	36,000
Hartney (2), Town	October 15, 2003	22,000
Lorne (4), R.M.	June 9, 2003	500,000
Lorne (5), R.M.	October 27, 2003	40,000
Minitonas (9), Town	July 14, 2003	120,000
Morris (11), R.M.	December 5, 2003	200,000
Morris (12), R.M.	March 8, 2004	1,400,000
Neepawa (11), Town	May 13, 2003	350,000
Niverville, Town	July 14, 2003	100,000
Niverville (2), Town	February 25, 2004	35,000
North Cypress, R.M.	May 13, 2003	35,000
Ochre River (4), R.M.	December 5, 2003	100,000
Portage la Prairie (25), R.M.	August 20, 2003	25,000
Portage la Prairie (26), R.M.	October 27, 2003	65,000
Portage la Prairie (27), R.M.	February 25, 2004	1,200,000
Portage la Prairie (28), R.M.	February 25, 2004	1,500,000
Ritchot (5), R.M.	October 21, 2003	36,000
Roblin (8), Town	May 21, 2003	147,000
Rosedale (5), R.M.	October 14, 2003	40,000
Rosser, R.M.	July 17, 2003	12,000
Russell (6), Town	March 9, 2004	50,000
Selkirk (5), City	November 3, 2003	1,300,000
Silver Creek (6), R.M.	March 25, 2004	14,000
Snow Lake (6), Town	March 3, 2004	2,400,000
Souris (15), Town	July 14, 2003	300,000
Souris (16), Town	March 26, 2004	25,000
St. Andrews (2), R.M.	November 14, 2003	14,000

Project	Date Agreement Signed	Estimated Capital Cost of Project
Sewer and Water Construction Agreements Signed during 2003-04 cont'd:		
St. Francois Xavier (3), R.M.	November 14, 2003	$1,200,000
Stanley (7), R.M.	May 30, 2003	1,500,000
Stanley (8), R.M.	June 3, 2003	600,000
Stonewall (13), Town	April 24, 2003	35,000
Strathclair (7), R.M.	February 25, 2004	10,000
Stuartburn (3), R.M.	June 5, 2003	150,000
Thompson (4), R.M.	May 13, 2003	2,400,000
Thompson (5), R.M.	February 25, 2004	400,000
Wallace (3), R.M.	May 30, 2003	45,000
Wallace (4), R.M.	September 9, 2003	50,000
Wallace (5), R.M.	February 25, 2004	150,000
Westbourne (2), R.M.	May 9, 2003	200,000
Whitehead (2), R.M.	September 9, 2003	20,000
	Total	$33,782,000

2.0 Other Infrastructure

In addition to the Board's Sewer and Water Program, the Board agreed to act as Project Manager in the development of a number of large wastewater and water projects. All of the funding, for these projects, is outside of the Board's budget and transferred to the Board from other departments/agencies for administration/project management.

2.1 Portage Simplot (Off-site) Development

The Board signed a Memorandum of Understanding (MOU) with the City of Portage la Prairie to develop the $22.0M infrastructure upgrading (off-site developments). This includes the tendering and construction of wastewater and water related supply and installation contracts, including:

- the upgrading of the water plant to include ozonation and a third clarifier .
- the upgrading of the wastewater treatment plant, including the fourth Sequencing Batch Reactor (SBR) basin
- procurement of liners, covers, SBR equipment, etc.
- sludge digestion and storage (2) tanks
- water supply lines from the water treatment plant
- wastewater pumping station and forcemain to the sewage treatment plant

These works were substantially completed in July 2003.

2.2 Blumenort Sewage Lagoon

The Board signed an agreement with the R.M. of Hanover to provide Project Management services in the expansion of the sewage lagoon in the Village of Blumenort to treat wastewater from Granny's Poultry Co-operative (Manitoba) Ltd.

The project costing approximately $5.8M was completed in 2003.

2.2 Whiteshell Provincial Park

The Board entered into an agreement with Manitoba Conservation (Parks Branch) to develop the Falcon Lake water treatment plant in the Whiteshell Provincial Park. The project is estimated to cost $1.6M and detailed designs have been completed. The project is expected to be tendered in the summer of 2004.

3.0 Sustainable Development

On July 1, 1998, the Province proclaimed *The Sustainable Development Act.* The Act requires all Crown Corporations to:

- prepare and adopt a code of practice by July 2003
- prepare and adopt procurement guidelines and goals by December 2002, and
- prepare and adopt financial management guidelines by July 2003

The Board presently has policy guidelines, which deal with all of the requirements of the Act.

The Board considers wastewater and water infrastructure, as a basic amenity required to safeguard public health and to provide economic development opportunities for the sustainability of Manitoba's communities.

Conservation Districts Program

The Conservation Districts (CD) Program operates under the authority of *The Conservation Districts Act*. The objectives of the Act are to provide for the conservation, control and prudent use of water and land resources. In 1994-95, the day to day management of the Program was placed under the General Manager of The Manitoba Water Services Board. The CD Commission, chaired by the Deputy Minister of Water Stewardship, is responsible for providing the Minister with advice and guidance on the CD programs and budgets.

A comprehensive sustainable approach to soil and water management within agro Manitoba will be fostered and developed. Many Districts will also carry out programs that support eco tourism, historic resources and wildlife habitat enhancement. Local involvement, which is critical to effective project implementation, will continue to be a requirement and has proven integral to program success. There are presently 16 CDs covering approximately 70% of agro Manitoba.

The Province provides grants of up to 75% of the cost of the CD programs. In 2003-04, the total grants amounted to $3.975M. The 16 Conservation Districts and the year each came into being are as follows:

Conservation Districts	Year Established
Alonsa	1978
Cooks Creek	1979
Intermountain	1997
Kelsey	1999
La Salle Redboine	2002
Lake of the Prairies	2001
Little Saskatchewan River	1999
Mid Assiniboine River	2002
Pembina Valley	1990
Seine-Rat River	2002
Tiger Hills	2001
Turtle Mountain	1973
Turtle River Watershed	1975
Upper Assiniboine River	1996
West Souris River	1995
Whitemud Watershed	1972

Details on the activities and the expenditures of each of the CDs are provided in the Conservation Districts of Manitoba Annual Report. CD Program details and connecting links to each CD may be found at: www.gov.mb.ca/waterstewardship/mwsb/.

The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Office of the Auditor General of the Province of Manitoba, whose opinion is included herein.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions, and that appropriate policies and procedures are established and respected.

The Provincial Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

R. Menon, P.Eng.
General Manager

C. Brigden
Financial Officer

June 18, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of The Manitoba Water Services Board

We have audited the balance sheet of The Manitoba Water Services Board as at March 31, 2004 and the statements of operating revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 18, 2004

The Manitoba Water Services Board **Exhibit A**

Balance Sheet

as at March 31, 2004

ASSETS	2004	2003
Current assets		
Cash	$ -	$ 2,276,761
Accounts receivable	4,571,640	6,820,399
Prepaid Supplies	56,175	70,054
Current portion, Construction in progress (Note 4)	562,315	1,539,740
Accrued interest	40,038	49,402
Current portion of debentures receivable	288,876	316,992
	5,519,044	11,073,348
Long-term Construction in Progress (Note 4)	1,399,779	1,855,623
Debentures receivable from municipalities (Note 5)	176,828	465,705
Capital assets (Note 6)	94,316	127,268
	$ 7,189,967	$ 13,521,944

LIABILITIES	2004	2003
Current liabilities		
Bank Indebtedness	$ 1,164,554	$ -
Accounts payable and accrued charges	3,039,345	8,156,890
Advances from the Province of Manitoba payable on demand	2,700,000	5,100,000
Current portion of long-term debt	126,898	119,647
Infrastructure Renewal - Whitemud Conservation District (Note 3)	768,441	600,602
Infrastructure Renewal - Pembina Valley (Note 3)	10,000	5,000
Infrastructure Renewal - Conservation Districts (Note 3)	40,246	-
	7,849,484	13,982,139
Long-term debt (Note 7)		
Advances from the Province of Manitoba	295,623	422,521
Funds retained (Notes 8 and 16)	(1,055,140)	(982,716)
Interest adjustment fund account (Note 9)	100,000	100,000
	(955,140)	(882,716)
	$ 7,189,967	$ 13,521,944

APPROVED BY THE BOARD

The Manitoba Water Services Board **Exhibit B**

Statement of Operating Revenues and Expenditures

for the year ended March 31, 2004

	2004	2003
Revenues		
Sale of water	$ 1,359,649	$ 1,340,017
Administrative expenses paid by the Province of Manitoba (Note 10)	1,965,524	1,879,484
Interest	160,397	149,214
Total revenues	3,485,570	3,368,715
Expenditures		
Direct expenditures for water supply plants		
Interest - Advances payable on demand	249,258	227,154
- Long-term debt	64,161	71,485
Less: Interest allocated to new construction	(354,667)	(337,218)
	(41,248)	(38,579)
Chemicals	39,337	62,407
Amortization	32,609	41,992
Heat, telephone, light and power	186,114	234,305
Professional services	1,007,231	1,020,949
Salaries and benefits	217,084	254,841
Repairs and maintenance	102,796	125,730
Administrative expenses (Note 10)	1,965,524	1,879,484
Total expenditures	3,509,447	3,581,129
Deficiency of operating revenues over expenditures	(23,877)	(212,414)
Funds retained, beginning of year	(982,716)	(290,445)
Plant surplus transferred to municipalities on disposition	(48,547)	(479,857)
Funds retained, end of year (Note 8)	$ (1,055,140)	$ (982,716)

The Manitoba Water Services Board **Exhibit C**

Statement of Cash Flows

for the year ended March 31, 2004

	2004	2003
Cash provided by (used for):		
Operating activities		
Excess (deficiency) of operating revenues over expenditures	$ (23,877)	$ (212,414)
Expenditure not involving cash - amortization	32,609	41,992
	8,732	(170,422)
Change in accounts receivable	2,248,759	(2,348,793)
Change in prepaid supplies	13,879	11,553
Change in accounts payable and accrued charges	(5,117,545)	2,291,592
Change in accrued interest	9,364	(8,549)
Cash provided by (used for) operating activities	(2,836,811)	(224,619)
Financing activities		
Advances received	15,200,000	17,600,000
Advances repaid	(17,719,647)	(16,409,131)
Debentures receivable principal recoveries	316,992	334,481
Contribution received - Infrastructure	225,246	5,000
Infrastructure Expenditure	(12,160)	(475,942)
Cash provided by (used for) financing activities	(1,989,569)	1,054,408
Investing activities		
New construction costs	(31,823,021)	(45,175,130)
Funding recovered from:		
Province of Manitoba	9,060,752	10,768,603
Municipalities	24,195,537	36,181,267
Decrease (increase) in construction in progress	1,433,268	1,774,740
Capital asset disposals	344	5,090
Plant surplus transferred to municipalities on disposition	(48,547)	(479,858)
Cash provided by (used for) investing activities	1,385,065	1,299,972
Increase (Decrease) in cash	(3,441,315)	2,129,761
Cash, beginning of year	2,276,761	147,000
Cash (bank indebtedness), end of year	$ (1,164,554)	$ 2,276,761

Interest paid during the year ended March 31, 2004 amounted to $301,549 (2003 - $289,961)

1. NATURE OF ORGANIZATION

The Manitoba Water Services Board was established in July 1972 under *The Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board owns and operates water supply plants in the Province, installs or upgrades water and sewage facilities in Manitoba communities, constructs area water pipelines for agricultural and drought proofing purposes and develops farm water sources.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared using Canadian generally accepted accounting principles. Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the Statement of Operating Revenues and Expenditures. Separate equity accounts are maintained for each plant operated by the Board (Note 8).

(b) Capital assets

Capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Plants constructed prior to January 1, 1972	equipment	18 years
	buildings	35 years
Plants constructed after January 1, 1972	equipment	20 years
	buildings	20 years

(c) Revenue recognition

Revenue from sale of water is recognized in the period when consumed by the town or municipality.

(d) Administrative expenses paid by the Province of Manitoba

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at fair value in the financial statements.

(e) Pension costs and obligations

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

3. INFRASTRUCTURE RENEWAL

The Board maintains an infrastructure renewal reserve account for the Whitemud Conservation District to be used over the next ten years for the Province's 75% contribution of the cost of replacing aging waterway bridges and crossings. The Whitemud Conservation District will assume responsibility for the Provincial waterway infrastructure at the end of the agreement. The Board is now also maintaining an infrastructure reserve account to be utilized only for Capital (infrastructure) construction works for Cooks Creek, Turtle River, and the Whitemud Conservation Districts as well as a separate reserve account for the Pembina Valley Conservation District.

4. CONSTRUCTION IN PROGRESS

	2004	2003
Balance, beginning of year	$ 3,395,363	$ 5,170,103
New construction costs	31,823,020	45,175,130
	35,218,383	50,345,233
Funding recovered from:		
Municipalities	24,195,537	36,181,267
Province of Manitoba	9,060,752	10,768,603
	33,256,289	46,949,870
Balance, end of year	1,962,094	3,395,363
Less: current portion	562,315	1,539,740
Long-term Construction in Progress	$ 1,399,779	$ 1,855,623

5. DEBENTURES RECEIVABLE FROM MUNICIPALITIES

Prior to April 1985, the Board financed capital construction costs through long-term debt at fixed interest rates with the Province of Manitoba and the Canada Mortgage and Housing Corporation. Municipalities financed the municipal share of capital construction costs by issuing debentures to the Board. The debentures were issued in amounts and at fixed interest rates sufficient to discharge the municipalities' share of the Board's corresponding long-term debt financing. Since April 1985, the Board has recovered the municipal share of capital construction costs on a current basis.

Schedule of Debentures Receivable from Municipalities:

Year of Maturity	Annual Payment Date	Interest Rate(%)	2004	2003
2003	December 31	12.625	$ -	$ 58,322
2004	December 31	12.750	176,555	333,150
Subtotal (carried forward)			$ 176,555	$ 391,472

5. DEBENTURES RECEIVABLE FROM MUNICIPALITIES (continued)

Year of Maturity	Annual Payment Date	Interest Rate(%)	2004	2003
Subtotal (brought forward)			$ 176,555	$ 391,472
2005	October 31	10.950	141,954	202,605
2006	October 31	9.800	88,635	113,915
2006	October 31	8.000	58,560	74,705
Total debentures receivable			465,704	782,697
Less: current portion			288,876	316,992
Debentures receivable beyond one year			$ 176,828	$ 465,705

6. CAPITAL ASSETS

	2004	2003
Land and easements	$ 17,731	$ 18,075
Buildings	816,888	869,895
Less accumulated amortization	740,303	760,702
	76,585	109,193
Equipment	222,416	277,441
Less accumulated amortization	222,416	277,441
Total capital assets	$ 94,316	$ 127,268

7. LONG-TERM DEBT

Year of Maturity	Annual Payment Date	Interest Rate(%)	2004	2003
Advances from the Province of Manitoba:				
2004	March 31	9.250	$ -	$ 3,916
2006	October 31	9.800	71,256	90,900
2007	March 31	9.625	337,531	430,889
2007	October 31	9.400	13,734	16,463
Total advances payable			422,521	542,168
Less: current portion			126,898	119,647
Advances payable beyond one year			$ 295,623	$ 422,521

The Board has the right at any time to repay in whole or in part the advances from the Province of Manitoba.

The aggregate amount of payments required to meet debt retirement provisions are:

2005	$ 126,898
2006	$ 139,143
2007	$ 152,570
2008	$ 3,910

8. FUNDS RETAINED

Funds retained consist of accumulated excess revenues over expenditures pertaining to the water supply plants owned and operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities.

Funds retained also include the gain on the sale of the Red River Regional Water Supply System.

8. **FUNDS RETAINED (continued)**

Funds retained consist of the following:

	2004		2003	
	No.	Amount	No.	Amount
Plants owned by the Board				
Plants with a deficit	6	$ (1,452,864)	6	$ (1,459,790)
Plants with a surplus	3	92,485	4	162,472
	9	(1,360,379)	10	(1,297,318)
Plants owned by Municipalities				
Plants with a surplus	1	1,614	1	9,785
Total funds retained, water supply plants	10	(1,358,765)	11	(1,287,533)
Gain on Sale of the Red River Regional Water Supply System		303,625		304,817
Total funds retained		$ (1,055,140)		$ (982,716)

Subsequent to year end, one Water Treatment Plant has been transferred to the R.M. of Grey (Elm Creek). Surplus funds of approximately $1,614 will be released from funds retained during 2004/2005.

9. **INTEREST ADJUSTMENT FUND ACCOUNT**

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest cost incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of $100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

10. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA

Administrative expenses paid by the Province of Manitoba and included in expenditures are as follows:

	2004	2003
Professional services	$ 17,645	$ 20,020
Salaries and benefits	1,614,276	1,535,967
Telephone and utilities	21,503	22,968
Travel	17,252	13,145
Rental for office premises	143,151	141,151
Other administrative	151,697	146,233
	$ 1,965,524	$ 1,879,484

11. COMMITMENTS

	2004	2003
The Board has commitments as follows:		
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives.	$ 42,527,600	$ 33,445,075
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	$ 13,840,500	$ 10,576,000
Recovery of construction costs - Municipalities and Cooperatives	28,687,100	22,869,075
	$ 42,527,600	$ 33,445,075

The Board recovers construction costs on a current basis from municipalities and cooperatives through funds provided by the Province of Manitoba under *The Loan Act*. As at March 31, 2004, the Province had unused authority of $41,799,900 under *The Loan Act, 2003* to provide this financing to the Board for the construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

12. CONTINGENCIES

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

13. RELATED PARTY TRANSACTIONS

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

15. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts of bank indebtedness, accounts receivable, accrued interest, the current portion of debentures receivable, accounts payable, accrued charges, advances from the Province of Manitoba payable on demand, and the current portion of long term debt reported on the balance sheet approximate their fair market value due to their short-term nature.

Debentures receivable and long-term debt are estimated using public quotations or discounted cash flow analysis, based on current corresponding borrowing rates for similar types of borrowing arrangements. They are not materially different from their carrying value.

Credit Risk

The Board, in the normal course of business, is exposed to credit risk from the rural municipalities it serves. The Board's financial assets that are exposed to credit risk consist primarily of accounts receivable and debentures receivable.

Accounts receivable are primarily short-term receivables from rural municipalities. Debentures receivable are long-term receivables from Rural Municipalities which have fixed interest rates and repayment terms. Credit evaluations are done for each Rural Municipality.

Interest Rates

The Board is not exposed to significant interest rate risk due to the short term nature of the current asset and current liabilities, and the fact that its debentures receivable and long-term debt are at fixed interest rates.

16. ECONOMIC DEPENDENCY

The Board is economically dependent on the Province of Manitoba.